

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 ISO-00 CAB-05 CIAE-00 COME-00
DODE-00 DOTE-00 INR-07 NSAE-00 EPG-02 FAA-00
PA-02 USIA-15 PRS-01 SP-02 /054 W
-----041409 132107Z /75

R 132043Z JUL 77
FM AMEMBASSY OTTAWA
TO SECSTATE WASHDC 4097
INFO AMEMBASSY LONDON
AMEMBASSY PARIS
AMCONSUL MONTREAL
ALL OTHER CANADIAN CONSULS (BY POUCH)

UNCLAS SECTION 01 OF 02 OTTAWA 06225

CAB PASS JUDGE LEE WEST

E.O. 11652:N/A
TAGS: EAIR, CA
SUBJECT: CIVAIR: AIR FARES

REF: OTTAWA 6136

1. FOLLOWING IS TEXT OF JULY 13 MONTREAL GAZETTE EDITORIAL
ENTITLED "COMPETITION TAKES OFF":

QUOTE. TRANSATLANTIC TRAVELLERS, LONG INURED TO THE
LEGALIZED FIXING OF PRICES BY THE AIRLINES, NOW FACE A
MOST DELIGHTFUL PROSPECT: OLD-FASHIONED COMPETITION AMONG
THE AIRLINES.

FREDDIE LAKER, A BRITON WITH MOXIE TO BURN, IS THE ONE WHO
STARTED IT ALL. HE PLANS A NO-FRILLS, DOLLARS 135 BARGAIN
FARE BETWEEN NEW YORK AND LONDON STARTING IN LATE SEPTEMBER.
THERE ARE NO ADVANCE RESERVATIONS. THE ROUND-TRIP
WOULD BE DOLLARS 236.48.

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A MONTREALER USING AN INTER-CITY BUS FOR THE ROUND-TRIP
TO NEW YORK (DOLLARS 54.10) COULD THUS TRAVEL TO AND FROM
LONDON FOR LESS THAN DOLLARS 300, WITHOUT RESTRICTIONS ON
TIME.

A COMPARABLE FLIGHT ON AIR CANADA FROM MIRABEL WOULD COST

MORE THAN 100 PER CENT MORE. THE COST FOR A ONE-WAY, OFF-SEASON (OCTOBER-MAY) TICKET TO LONDON IS DOLLARS 334 AND THE ROUND TRIP IS DOLLARS 638.

(NOTE: BY TAKING A 14-60 DAY EXCURSION FARE ON AIR CANADA, A TRAVELLER WOULD PAY DOLLARS 299, ONLY ABOUT 50 PER CENT MORE THAN ON LAKER. BUT THIS IS NOT AVAILABLE TO SPUR-OF-THE-MOMENT TRAVELLERS SINCE SUCH TICKETS MUST BE CONFIRMED AT LEAST 45 DAYS IN ADVANCE.)

ANY WAY YOU LOOK AT IT, THE LAKER PLAN IS A SUBSTANTIAL BARGAIN.

BUT WHAT'S EVEN BETTER IS THAT NOW A SECOND AIRLINE, PAN AM, IS ABOUT TO ENTER INTO A PRICE WAR -- AND TRY TO GIVE SUPERIOR SERVICE. FOR A COMPARABLE PRICE, PAN AM PROMISES FOOD SERVICE AND SEEKS TO AVOID LAKER'S FIRST-COME, FIRST-SERVED TICKET ARRANGEMENT WHICH COULD LEAVE MANY WOULD-BE TRAVELLERS STRANDED OVERNIGHT.

FOR ECONOMY-MINDED CONSUMERS, THE COMPETITION IS ADVANTAGEOUS. CUSTOMARILY THE AIRLINES COMPETE NOT ON PRICE BUT ON SUCH FRILLS AS LEG-ROOM, 'CUISINE' AND STEWARDESSES' -- ER, FLIGHT ATTENDANTS' -- SMILES.

IT WOULD BE NAIVE TO ASSUME THAT AIR CANADA, AN EXEMPLAR UNCLASSIFIED

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OF CANADIAN CORPORATE CONSERVATISM, WILL RUSH TO JOIN THIS PRICE WAR.

BUT IT WOULD BE GOOD FOR CANADIANS IF IT DID, OBVIATING THE TRIP TO NEW YORK. AND IT WOULD BE GOOD FOR THE ECONOMY, SINCE WE'D BE GIVING OUR MONEY TO A DOMESTIC COMPANY INSTEAD OF CONTRIBUTING, QUITE LITERALLY, TO THE FLIGHT OF CAPITAL TO OTHER COUNTRIES. UNQUOTE.

2. COMMENT: THIS EDITORIAL REFLECTS INCREASING CANADIAN PUBLIC INTEREST IN LOWER AIR FARES, A DEVELOPMENT STIMULATED BY THE RISE OF MILITANT CONSUMER GROUPS IN CANADA SOMEWHAT IN BELATED PARALLEL TO THE NADER MOVEMENT IN THE UNITED STATES. MUCH OF THIS FOCUS, HOWEVER, HAS BEEN ON THE DOMESTIC AIR FARES SCENE IN WHICH SCHEDULED SERVICES' PER MILE PRICING HAS HISTORICALLY BEEN SUBSTANTIALLY HIGHER THAN IN THE U.S. CONSUMER GROUPS HAVE IN RECENT YEARS UNSUCCESSFULLY ATTEMPTED TO INTERVENE IN CANADIAN TRANSPORT COMMISSION FARE PROCEEDINGS AND HAVE RECENTLY BEEN CALLING ATTENTION TO THE DIFFERENCE IN FARES PER MILE ON TRANSBORDER ROUTES EXCLUSIVELY SERVED BY AIR CANADA AND THOSE SERVED BY

U.S. CARRIERS (EITHER ALONE OR IN COMPETITION WITH AIR CANADA). THERE IS ALSO INCREASED INTEREST IN LIBERALIZED DOMESTIC CHARTER RULES, A MOVE WHICH WARDAIR (ABOUT TO UNDERTAKE A MAJOR CAPACITY EXPANSION) IS ENCOURAGING. GOC REACTION TO THE CONSUMER MOVEMENT IN THIS AREA HAS BEEN SLOW TO DATE, AS THE CANADIAN TRANSPORT COMMISSION (CTC) HAS BEEN RELUCTANT TO ABANDON ITS CONCEPTS OF CARRIER PROTECTION AS THE BASIS OF PUBLIC INTEREST. HOWEVER, WHEN A CARRIER INITIATES A NEW LOW FARE CONCEPT (AS AIR CANADA DID WITH THE NORTH ATLANTIC

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SUPER APEX) IT HAS ALSO BEEN RELUCTANT TO INTERVENE. SHOULD THE PAN AM/LAKER COMPETITION BECOME REAL AND AIR CANADA CHOOSE TO MATCH IT (AS SUGGESTED REFTTEL), IT IS DOUBTFUL IF THE CTC--IN SPITE OF ITS PROBABLE UNHAPPINESS--WILL STAND IN THE WAY. DUEMLING

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